

Developing an Economic Strategy for Northern Ireland

Contextual information for the RIS3
workshop, 3rd May 2012

Developing an Economic Strategy for Northern Ireland

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INTRODUCTION

The NI Economic Strategy

- Published in March 2012 by DETI Minister as Chair of Executive Sub-Committee on the Economy
- Widely welcomed by Economic Commentators, Academics and Media Commentators
- Broadly Endorsed by all key Stakeholders
- Unanimously supported by the NI Assembly

The Economic Vision for 2030

“An economy characterised by a sustainable and growing **private sector**, where a greater number of firms compete in **global markets** and there is growing **employment** and **prosperity for all**”

Various strategies to address NI's long-term Economic underperformance...

- Building a Stronger Economy – The Pathfinder Process (1987)
- Competing in the 1990s – The Key To Growth (1990)
- Strategy 2010 (1999)
- NI Economic Vision (2005)

...so what makes this Economic Strategy different?

Formulation

- Developed under a local administration
- Shared responsibility across all Executive Departments

Content

- Based on independent review of economic policy
- Built on extensive assessment of global best practice
- Focus on export-led economic growth
- Identifies clear priorities for investment
- Recognises the need for additional policy levers & commits to work with the UK Government to secure these (e.g. Corporation Tax)

Implementation

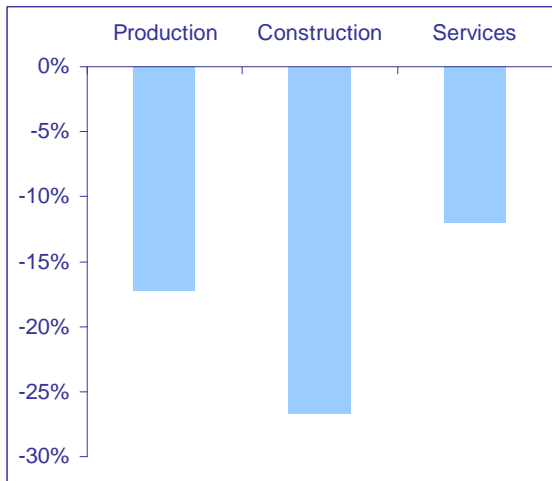
- Commitment to implementing Comprehensive Action Plan
- Executive Sub-Committee to monitor delivery & progress against key economic indicators

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NEED & CONTEXT

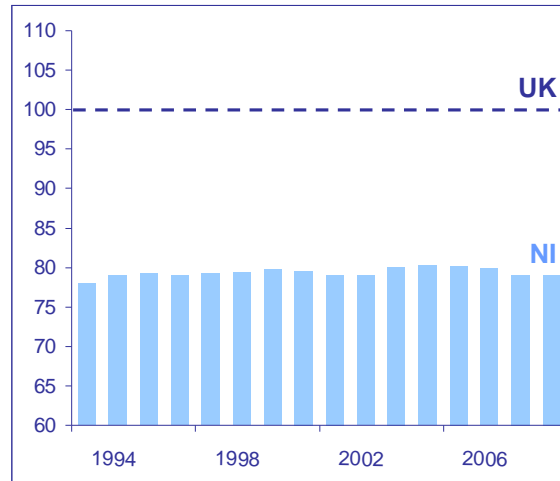
Economic Trends

Recession



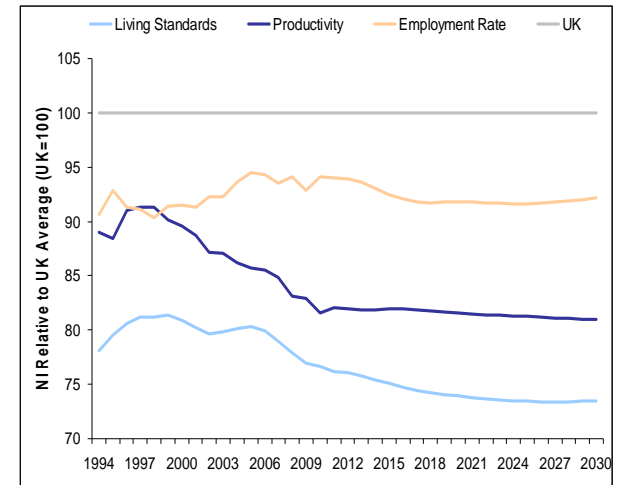
- Large falls across the private sector since 2008
- Services output -12%
- Production output -17%
- Construction output -27%

Living Standards



- GVA per capita remained around 80% of UK average
- Caused by low employment / high inactivity and too few high value job opportunities to increase wealth

Forecasts



- No convergence on key economic variables forecast
- Gap with UK average on living standards and labour productivity expected to increase by 2030

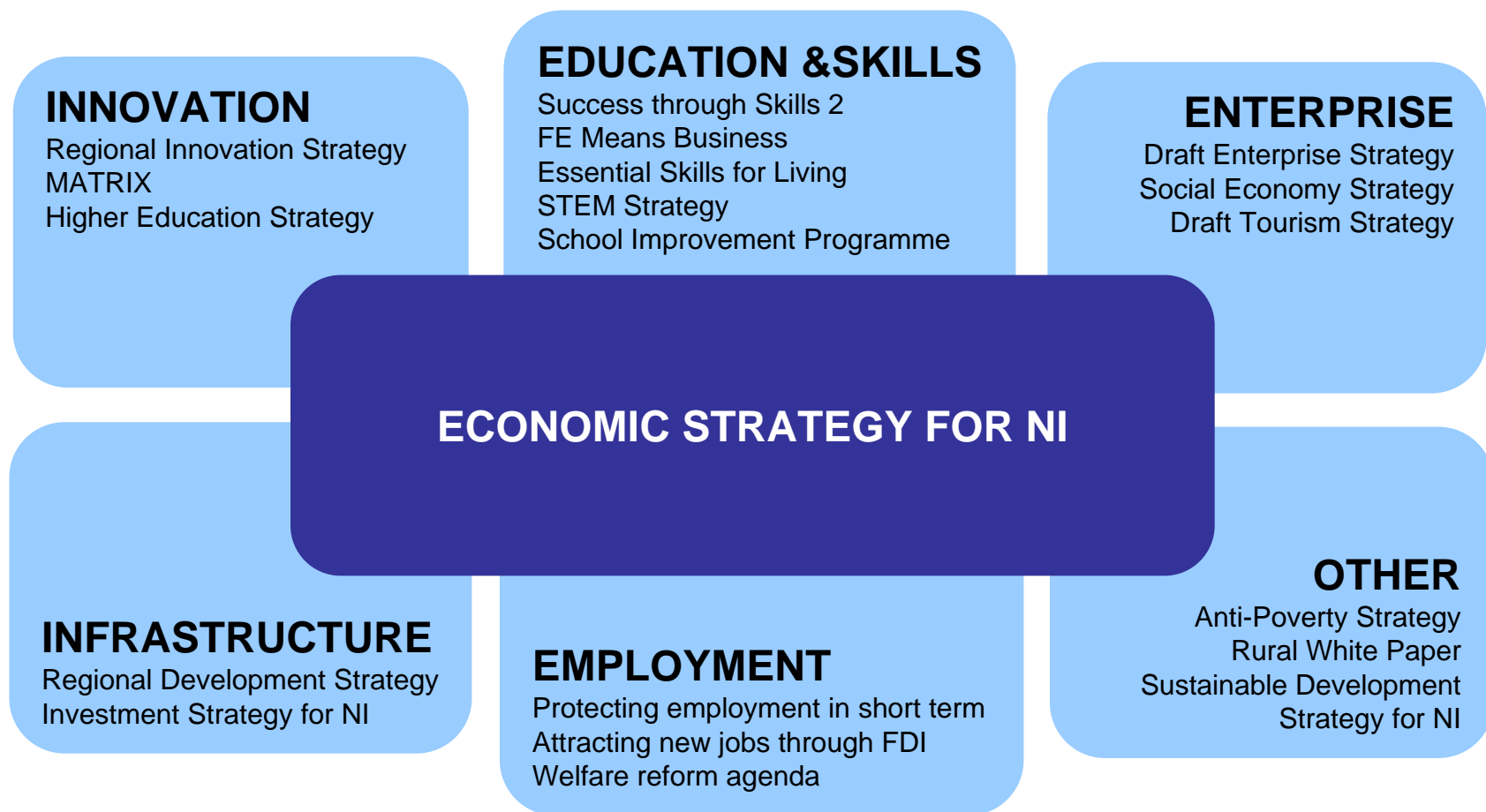
Political/Policy Context

- Return of Devolution – May 2007
- 2008-2011 Programme for Government – January 2008
- Growing a Dynamic Innovative Economy Identified As Top Priority

“Growing the economy will be our top priority over the lifetime of this Programme for Government. This is vital if we are to provide the wealth and resources required to build the peaceful, prosperous, fair and healthy society we all want to see”

- No detailed Economic Strategy in Place
- PfG focus on Growing Private Sector Productivity

Building on existing strategies to develop new approach to the economy



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Independent Review of Economic Policy (IREP)

Independent Review of Economic Policy (IREP)

- DETI Minister launched IREP in December 2008, to inform development of a new Economic Strategy
- To advise on the extent to which **existing** strategies, policies, programmes and resource allocations may need to be better aligned to help deliver the productivity goal outlined in the Programme for Government
- Identify whether any **new policies** are necessary, having regard to the existing legislative powers of the NI Executive
- Identify whether there are any issues which risk compromising the delivery of the goal, but which fall to **other departments** outside of DETI

IREP – Evaluation of Economic Development Policy



Professor Richard Barnett

Vice Chancellor, University of Ulster



Professor Brian Ashcroft

University of Strathclyde



Professor Michael Moore

Queens University Belfast



Dr Graham Gudgin

University of Cambridge



John Wright

Commercial Banker

Review Panel undertook a considerable volume of work...

- Call for evidence from **Key Stakeholders** launched in January 2009
- **Research** into best practice in regions/small nations which had shown significant productivity improvement
- Review of the Results of **evaluations** of DETI/Invest NI which had been completed over the previous 5 years
- **Independent analysis** of the impact of Invest NI support on individual businesses and key economic metrics

...supported by those with practical, on the ground experience...

- Panel established a consultative group
- Comprised **practitioners** with experience in **deploying** economic development policies
- Tasked with considering the emerging recommendations from the Review Panel
- Advised on the practicality of implementing the recommendations in a regional economy

...and reported in September 2009

Analysis of Existing Policies

DETI has the right focus on improving productivity, but existing policies and programmes have had limited success in achieving this

Towards a New Economic Policy

Alternative policies and programmes are needed to increase growth and productivity in NI, with a greater focus on Innovation and R&D

Wider Issues

Other departments outside of DETI have a role in growing a high value added economy, while more effective governance structures are also required

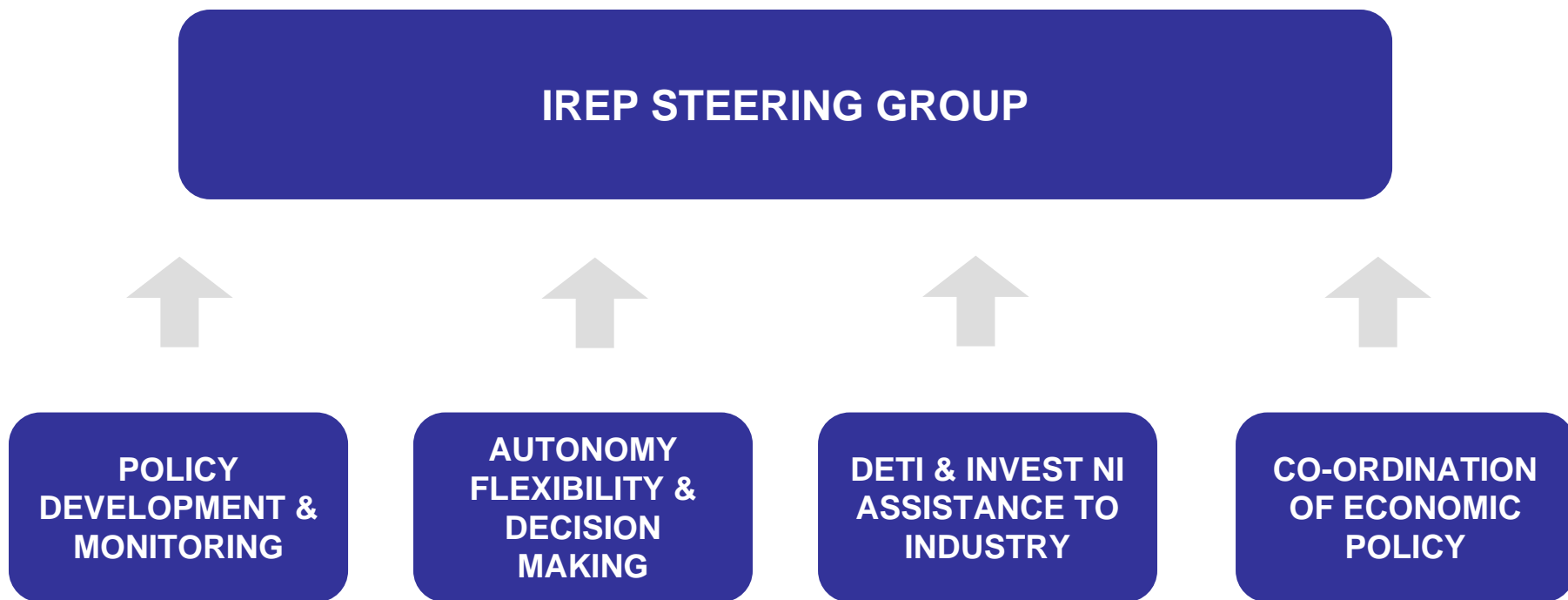
Key Conclusions reflected in the NI Economic Strategy

- Prioritise exports and inward investment as the key drivers of regional economic growth
- R&D that promotes innovation and business sophistication proposed as the most important long-term driver of productivity – supported by investment in skills
- The individual company / firm is the key agent of economic growth
- Focus on the quality of FDI, not just the volume
- Contribution of FDI will be greater if more inputs are purchased from local suppliers, especially SMEs
- Cities are key drivers for growth across a region

Responding to IREP

- IREP Report published in September 2009
- Minister launched consultation exercise in October 2009
- After consideration of recommendations and consultation responses, Minister announced way forward in Assembly in January 2010.
- Majority of the 58 IREP recommendation were accepted
- Steering Group established to manage implementation of the recommendations
- Steering Group supported by Working Groups, responsible for ensuring implementation of specific recommendations in 4 broad areas

Responding to IREP



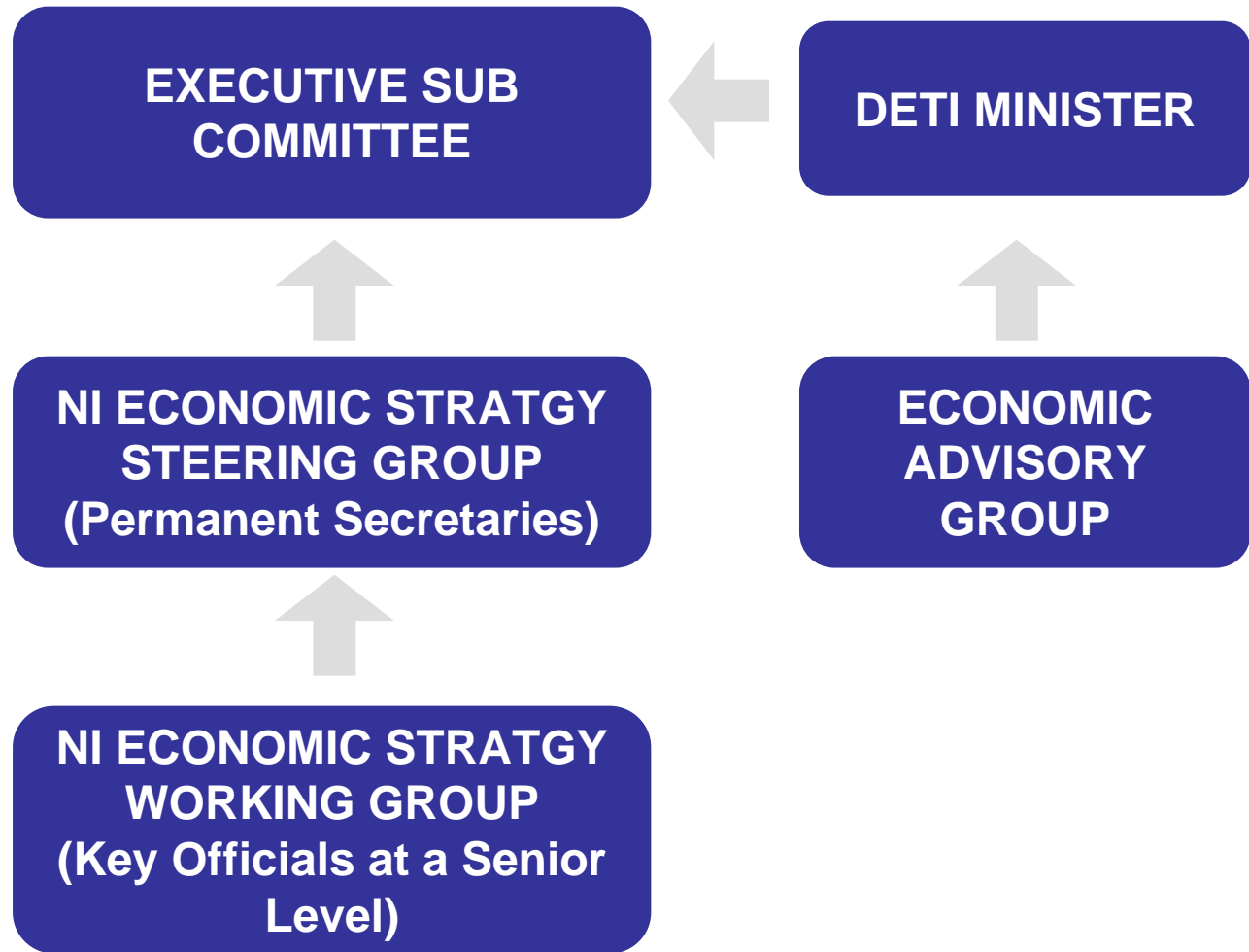
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DEVELOPING THE NI ECONOMIC STRATEGY

Importance of Co-ordination



Executive Sub-Committee supported by



NI ECONOMIC STRATEGY STEERING GROUP

The NIES Steering Group had overall responsibility for development of the NI Economic Strategy, specifically:

- agreeing a project plan for the development of the Strategy
- regularly reviewing progress against milestones set out in the project plan
- agree drafting protocols for contributory Departments
- providing advice and guidance to the key officials in working group charged with delivery of the plan
- providing comment on draft papers to be considered by the Executive Sub-committee on the Economy

NI ECONOMIC STRATEGY WORKING GROUP

The Working Group was responsible for producing agreed inputs to populate a draft economic strategy, including:

- providing relevant research, evidence of best practice and undertaking further analysis with respect to key issues identified as part of initial consultation
- co-ordinating and commissioning departmental inputs, including the drafting of relevant sections, under each of the key themes identified within the agreed Strategic Framework For Growth
- ensuring consistency of approach with respect to format style of the departmental contributions
- working with key stakeholders to both identify actions which they could commit to for inclusion within the final strategy and to ensure widespread support for strategy when issued for consultation

ECONOMIC ADVISORY GROUP

EAG provides independent economic advice, to the DETI Minister, in particular it:

- identifies and provides advice on key issues inhibiting or likely to inhibit the competitiveness of the NI economy
- provides advice in relation to the development of an overarching Economic Strategy
- provides advice on what strategies and policies may be necessary to secure the successful implementation of the NI Economic Strategy
- Commissions economic research to support policy advice
- publishes an annual review of the NI economy

A range of research has been carried out to identify what has worked successfully elsewhere



Building Economic Competitiveness:
Lessons from Small Peripheral Economies

Productivity, Innovation and Competitiveness
in Small Open Economies

Changing Face of Innovation Policy:
Complementing R&D Initiatives

Promoting Investment & Creating Employment
for the Economically Inactive



Significant body of research has taken place over past 2-3 years

Focus has been on success factors of small open economies

Highlighted a number of key themes on which successful economies are based

Drivers of Economic Success

1

Strong focus on innovation and R&D, with high level leadership for creating an innovative economy



2

Development of highly skilled workforce, with appropriate skills for business, investors and research areas



3

Extreme outward focus with high export intensity and / or large amounts of inward investment



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Promotion of enterprise and supporting the growth of local SMEs around key anchor firms

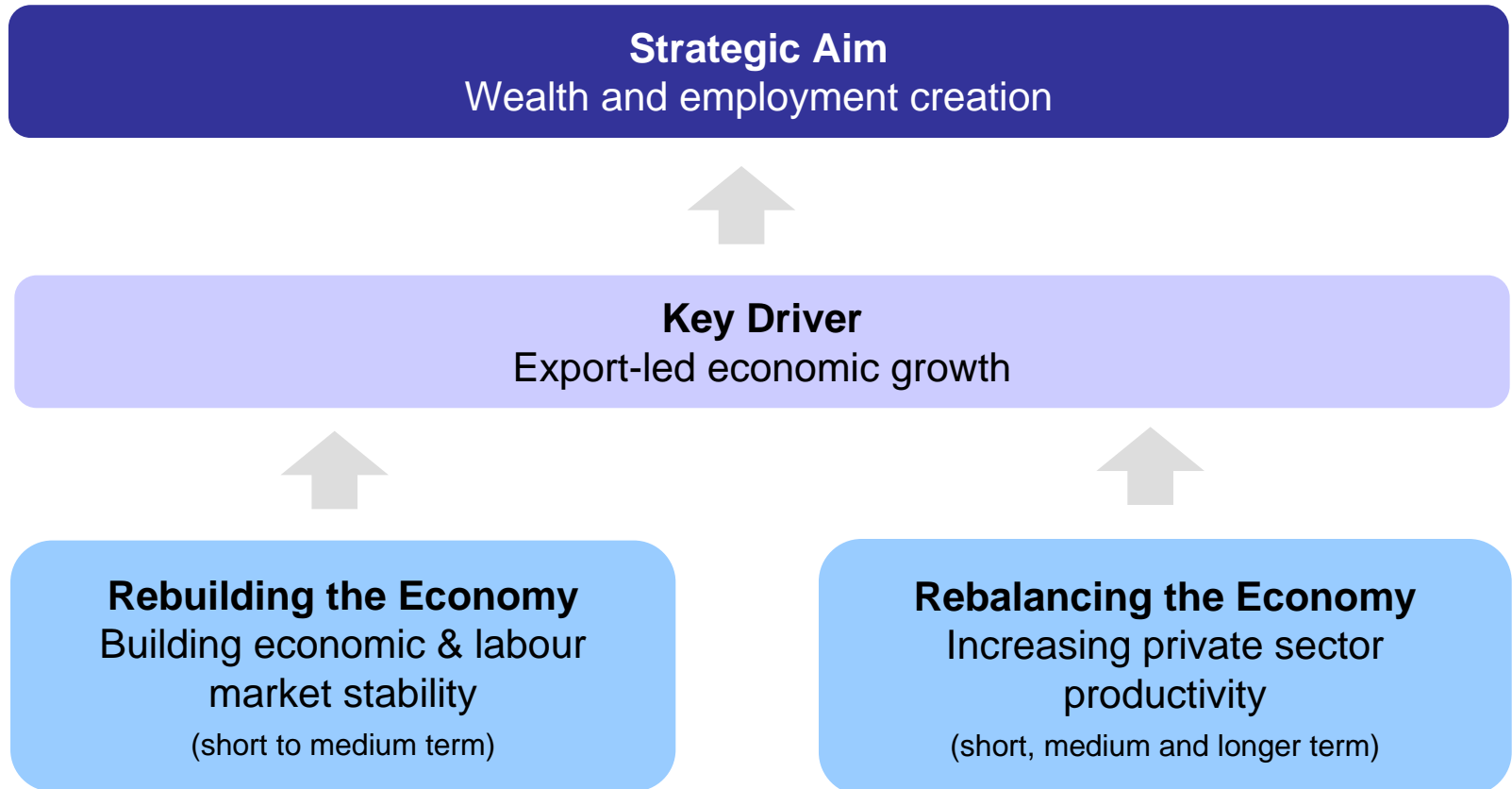


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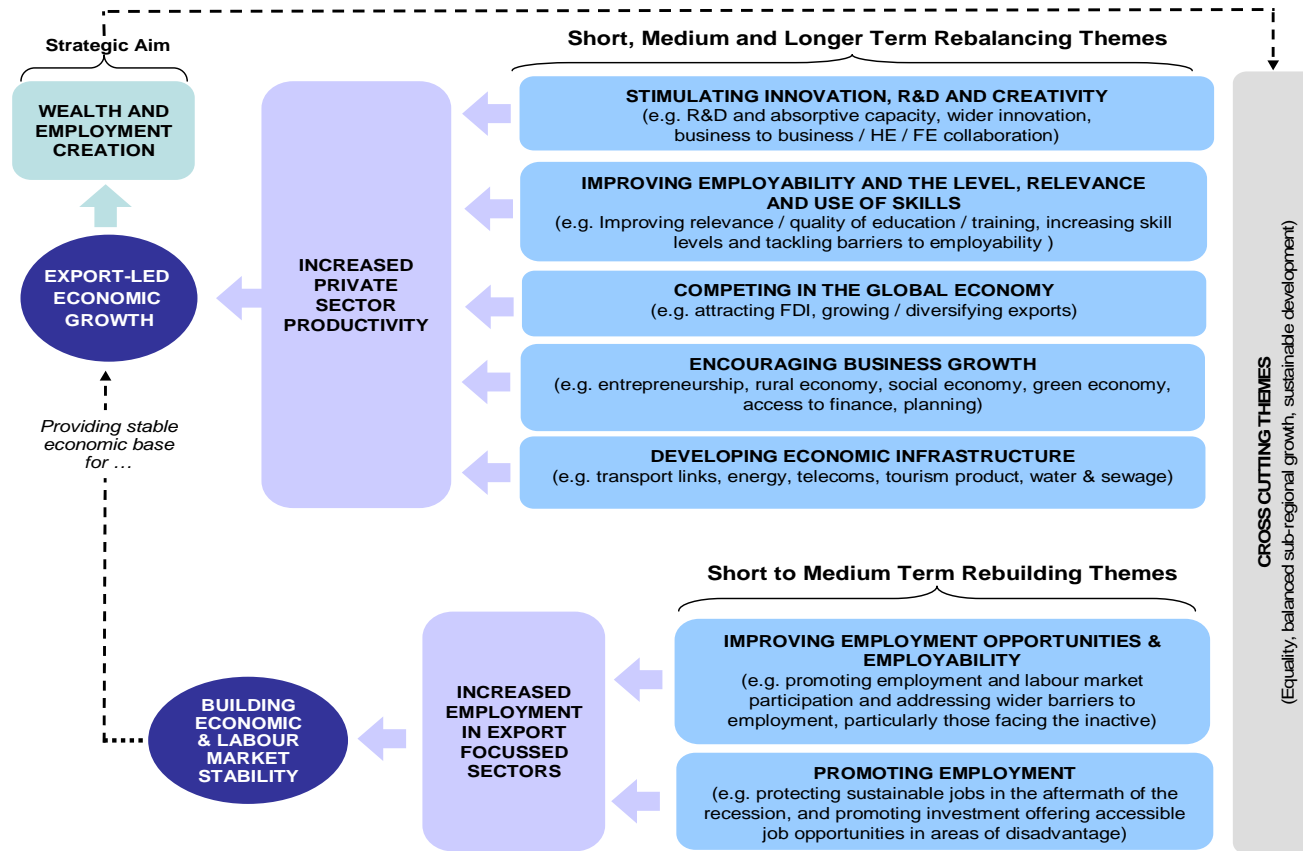
Investment in economic infrastructure to support attraction of FDI and development of research capabilities



The Sub-Committee launched an initial consultation based around rebuilding and rebalancing the economy



Framework for Growth in NI



- Important to convey the drivers of regional growth
- Linkages between the drivers
- Ultimate goals – economic competitiveness, wealth and employment
- Driven by focus on the demand **and** supply side

Public Consultation on Framework For Growth

- The Executive sub-committee on the economy agreed a two stage approach to consultation
- DETI Minister launched an initial consultation exercise in January 2011
- Circulated widely and identified a series of questions to elicit views on the key challenges and possible solutions
- Focussed meetings with key stakeholders undertaken during the consultation period
- Economic Advisory Group considered and responded to consultation exercise

Key Issues raised in that exercise were reflected within the draft NI Economic Strategy

- Broad support for the Strategic Economic Framework agreed by the Executive Sub-Committee
- Endorsed the importance of focusing on Export-led private sector growth
- Recognised need to take action to address the impact of the recession on the local labour market
- Strong case made for Public Sector Reform

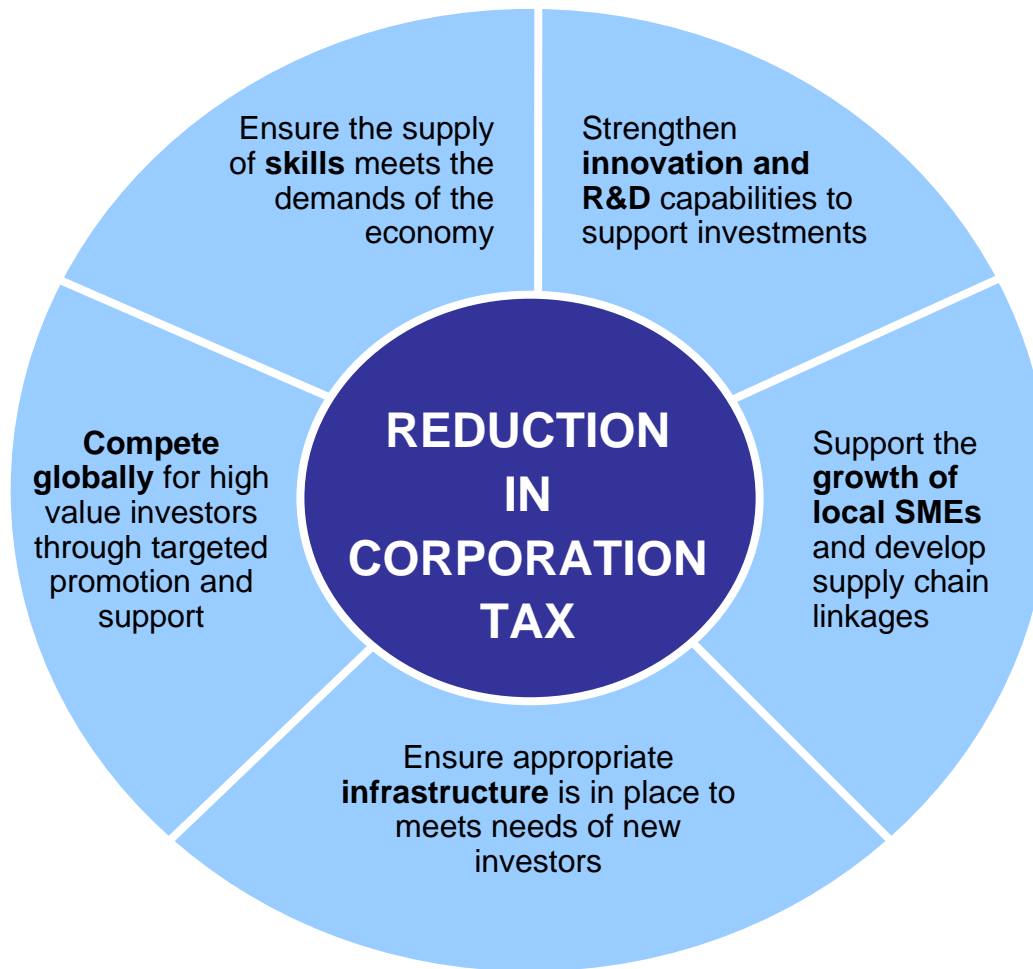
Developing the draft NI Economic Strategy

- After the initial consultation period, a draft economic strategy was prepared
- Consultation responses were analysed and reflected in the drafting of the NI Economic Strategy
- Draft strategy included input from all Executive Departments.
- Included the outcomes of ongoing research programme being taken forward by DETI and other Departments
- Reflected the work/views of the Independent Economic Advisory Group

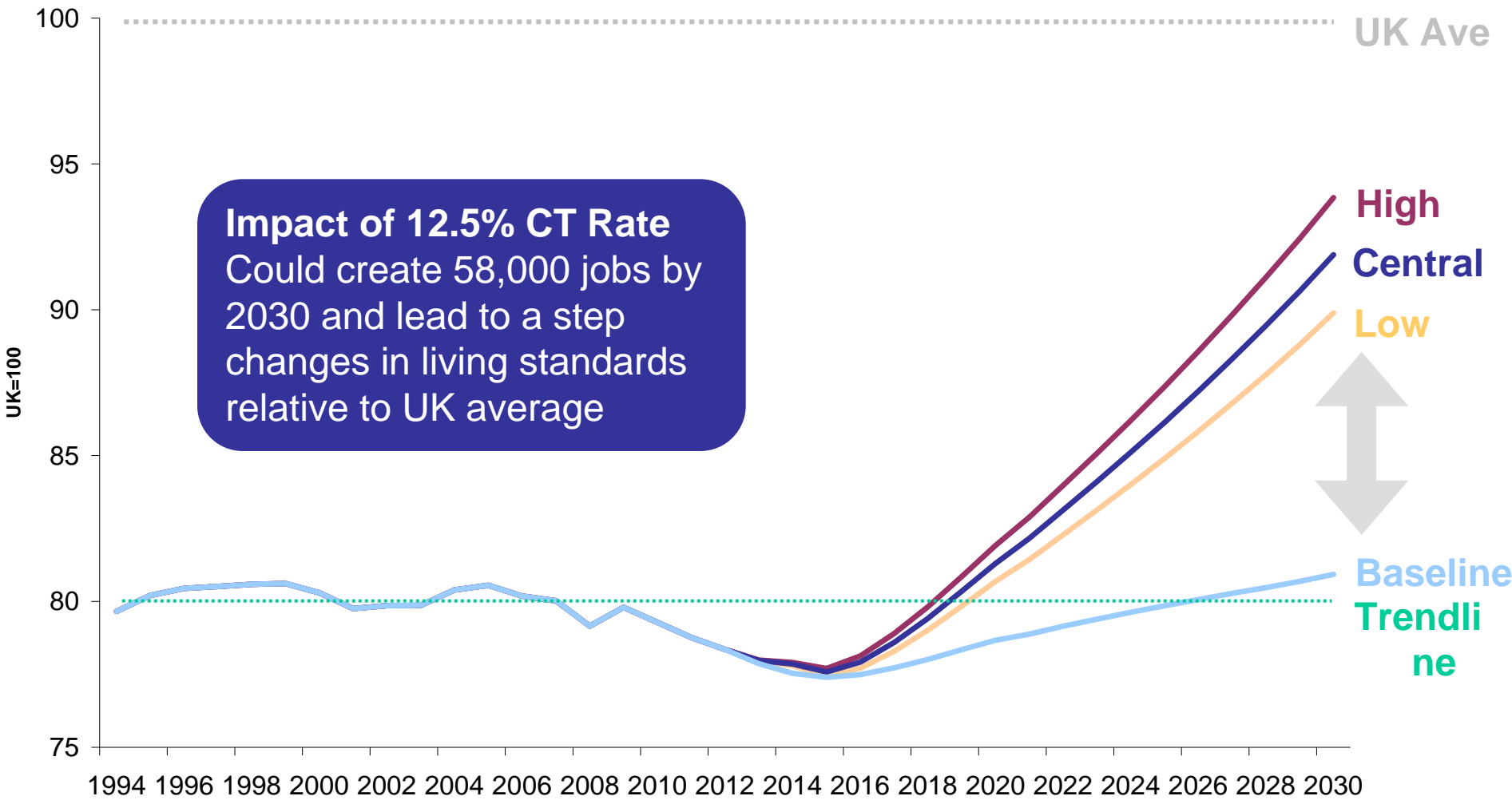
Key Commitments

- Support £300m investment by businesses in R&D (at least 20% from SMEs)
- Support 500 businesses to undertake R&D for the first time
- Deliver 210,000 qualifications through HE, FE, Essential Skills and Training
- Increase skills in subject areas such as STEM and Sales & Marketing
- Promote £400m of investment and 6,300 jobs in locally owned companies
- Increase visitor numbers and revenue to 4.2m and £676m respectively
- **Agree with the UK Government on devolving the power to vary corporation tax in a timely and affordable manner**
- Promote £375m of investment and 5,900 jobs from inward investors
- Progress the upgrade of key road projects and improve the overall road network
- Improve the landscape in public areas to promote private sector investment in towns and cities across Northern Ireland
- Deliver 6,000 work experience and training opportunities for young people by 2015 in priority sectors
- Develop and implement a Strategy to reduce economic inactivity

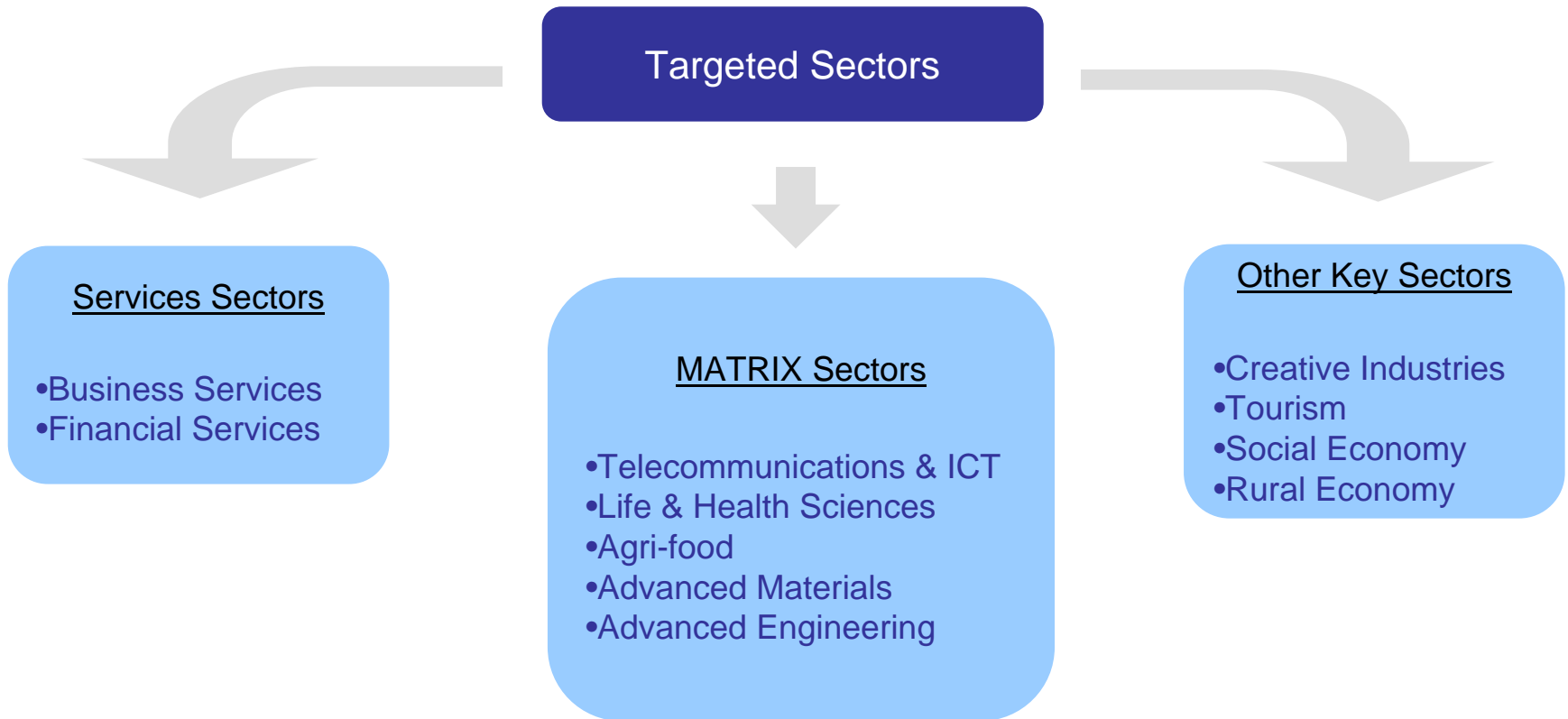
Taking Advantage of Corporation Tax



Research commissioned by EAG shows that a lower rate of CT could significantly increase living standards



Target those areas with greatest potential for growth



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PUBLIC CONSULTATION

NI ECONOMIC STRATEGY – LINKS TO PFG

- The Executive is committed to working to build a safe, peaceful, fair and prosperous society where everyone can enjoy a better quality of life.
- Programme for Government recognises the need for a strong economy to deliver this goal.
- Economic Strategy is the key building block of the Executive's top priority of growing a sustainable economy.
- Draft Economic Strategy launched for public consultation alongside PfG and Investment Strategy (ISNI) in October 2011

NI ECONOMIC STRATEGY – PUBLIC CONSULTATION

- Series of joint public consultation events held across NI in the early part of 2012.
- Demonstrated cross-departmental/joined-up approach and the importance of the NI Economic Strategy as a key commitment of the Executive
- Separate focussed meetings & events undertaken with key stakeholder organisations and their members.
- Invited stakeholder organisations to organise ‘sector’ events to maximise reach of consultation
- Enabled officials to engage directly with stakeholders and fully understand any issues being raised.
- 92 written responses and over 30 direct engagements across a wide spectrum of interests.

Public Consultation led to a number of amendments being made to existing commitments included within the draft NIES...

Target in draft NI Economic Strategy (for the PfG period)	Target in final NI Economic Strategy (for the PfG period)
Promote £330m of investment by locally owned companies	Promote £400m of investment by locally owned companies
Increase visitor numbers to 3.6m	Increase visitor numbers to 4.2m
Increase visitor revenue to £625m	Increase visitor revenue to £676m
Promote £300m of investment by establishing and growing externally owned companies	Promote £375m of investment by establishing and growing externally owned companies
Increase the value of manufacturing exports by 15%	Increase the value of manufacturing exports by 20%

...a number of additional commitments being introduced ...

- A new commitment around **youth unemployment** (Deliver 6,000 work experience and training opportunities for young people by 2015 in priority sectors)
- A new target for manufacturing **exports to emerging economies** (Increase the value of manufacturing exports to the emerging economies by 60%)
- An additional commitment to promote £225m of **private sector investment** through the Jobs Fund
- A new commitment to develop and implement a Strategy to **reduce economic inactivity**.

...and an increased emphasis being placed on particular aspects of the strategy

- Joined-up working to continue
- Focus on implementation
- Greater clarity around what success will look like
- Importance of independence in monitoring/success

Overall success will be measured by four long term strategic indicators

- 1 Increase the level of exports and external sales as a proportion of NI output
- 2 Increase the proportion of the working age population in employment
- 3 NI private sector output growth to exceed the UK average
- 4 NI economic competitiveness to improve relative to other developed economies

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IMPLEMENTATION

Implementation

- Executive committed to ensuring that the actions contained in the Strategy will be implemented
- Support for the cross-departmental approach to developing the strategy and an expectation that this will continue during implementation
- Draft Strategy underpinned by a Comprehensive Action Plan
- Departments will be fully accountable for delivering the various actions set out in the NI Economic Strategy
- Specific supporting strategies being developed for Innovation and Business Growth themes

Implementation

- Performance against key output targets and outcome indicators will be regularly tracked by Executive Sub-Committee
- Executive Sub-committee will publish annual reports on progress against the actions outlined in the Comprehensive Action Plan and an annual assessment of the wider health of the NI economy
- Approach will allow Sub-committee and wider Executive to identify areas where an alternative approach should be considered

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LESSONS

Key Lessons Learnt

- For high-level, cross-cutting strategies it is important to take a joined-up approach to development and implementation and ensure key players are involved throughout the process.
- Essential that policy is based upon independent analysis of what has gone before and what has worked well for others.
- It is important to engage positively with key stakeholders, listen to their views and, where appropriate, reflect these in developing/delivering the policy.
- Policy makers should be flexible – be willing to adapt as circumstances change

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